

VZCZCXRO0210  
RR RUEHDE  
DE RUEHMS #0084/01 032124Z  
ZNR UUUUU ZZH  
R 011243Z FEB 09  
FM AMEMBASSY MUSCAT  
TO RUEHC/SECSTATE WASHDC 0091  
INFO GULF COOPERATION COUNCIL COLLECTIVE  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEHMS/AMEMBASSY MUSCAT  
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC

UNCLAS SECTION 01 OF 03 MUSCAT 000084

SIPDIS  
SENSITIVE  
SBU DELIBERATIVE PROCESS  
STATE PASS TO USTR JBUNTIN AND USDOC FOR THOFFMAN

E.O. 12958: N/A  
TAGS: [PREL](#) [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [KMPI](#) [MU](#)  
SUBJECT: FTA HIGH ON OMANI AGENDA, BUT MORE U.S. ASSISTANCE NEEDED

REF: a) MUSCAT 38

#### SUMMARY

1. (SBU) Since its January 1 implementation, the U.S.-Oman Free Trade Agreement (FTA) continues to capture the attention of the regional business community as well as the Omani government. Post has experienced a significant increase in outside inquiries and comments regarding both the FTA and new Omani regulations adopted for its entry into force. Although Oman's governmental agencies are attempting to implement FTA requirements, they struggle with enforcing the finer points of the agreement and lack the institutional knowledge and resources to effectively address FTA-related issues. The government remains eager to assist Omani businesses to take advantage of the FTA, however, and has accordingly requested U.S. technical assistance in a number of subject areas, particularly customs. Oman also hopes to partner with the U.S. to develop FTA promotional materials. End Summary.

#### ENTHUSIASM BUT SOME BUMPS ON INITIAL FTA IMPLEMENTATION

2. (SBU) Among the copious questions and feedback post has received on trade-related matters since the FTA's entry into force are complaints from several prominent Omani companies that Royal Oman Police (ROP) Customs officers have continued to charge tariffs on certain U.S. imports. The Ministry of Commerce and Industry (MOCI) has taken responsibility for these mistakes, claiming that it did not appropriately inform Customs of FTA implementation because it was waiting for the U.S. Trade Representative's Office to directly confirm that former President Bush had signed the FTA proclamation. MOCI has publicly stated, and assured econoff privately, that it will refund any tariffs erroneously charged and has affirmed that all government ministries are aware that they have a responsibility to uphold all aspects of the FTA.

3. (SBU) Minister of Commerce and Industry Maqbool bin Ali Sultan kicked off the FTA's entry into force by holding an information session in Muscat on January 8 for local businesspeople. The event was held at the Oman Chamber of Commerce and Industry (OCCI) by invitation only and included a few local press representatives. [Note: Econoff received a verbal invitation to attend the event which was subsequently withdrawn. End Note.] According to Khalid al-Shuaibi, MOCI's Director General of Organizations and Commercial Relations, the government plans to sponsor additional FTA information sessions in both Arabic and English. One private business contact reported that MOCI handed out the same informational booklet on the FTA used since 2006 and that the session did not directly address how Omani businesses could take advantage of the agreement. On January 27, Minister Maqbool was called before the Majlis al-Shura (the directly elected lower house of Oman's bicameral advisory body) to address questions and concerns on how the FTA and WTO membership will impact small and medium sized enterprises (SMEs) in Oman. While some of the session aired on television, most of the Minister's meeting with the Majlis was not made publicly available.

#### MOVING FORWARD

4. (SBU) Econoff met with al-Shuaibi on January 20 to discuss plans to market and educate local and regional businesses on the FTA. Al-Shuaibi said Oman was very interested in teaming with U.S. counterparts to develop promotional packets that contain both written materials and a DVD with information on how to do business in the U.S., how to capitalize on the opportunities afforded by the FTA, and other FTA-related subjects including relevant laws and regulations. Econoff told al-Shuaibi and Khalfan al-Rahbi, MOCI Director of Organizations and Conferences, that the Embassy had endorsed a similar idea to USG agencies in Washington and would accordingly look into ways that the U.S. could work with MOCI and OCCI on a joint FTA promotion project. Al-Shuaibi responded enthusiastically and noted that it would be "impossible" for Oman to put something together without input from the U.S. and the private sector. [Note: Post forwarded a Business Facilitation Incentive Fund proposal to Washington on January 14 via reftel

MUSCAT 00000084 002 OF 003

requesting funds for an FTA virtual tool kit with hard copy informational materials. End Note.]

5. (SBU) According to al-Shuaibi, Oman would like to focus FTA promotion efforts on specific business sectors identified in a study conducted by Booz Allen Hamilton (and funded by the Middle East Partnership Initiative) that addressed how Oman could take maximum advantage of the FTA. He also mentioned that Oman is planning a trade "road show" in the U.S., but agreed that it would

most likely be postponed until 2010 due to the current global financial crisis. Al-Shuaibi is planning to travel to Bahrain and Jordan in March 2009 with MOCI Economic Expert and Trade Negotiator Dr. Saeed al-Riyami to seek advice from Bahraini and Jordanian counterparts on how Oman can better promote the FTA internally and externally.

#### REQUESTS FOR U.S. ASSISTANCE

16. (SBU) Noting the need for FTA implementation assistance, al-Shuaibi stated that Oman would like to send 14 ROP Customs officers to the U.S. for FTA-related customs training, possibly in conjunction with the Department of Commerce's Commercial Law and Development Program (CLDP). Al-Shuaibi explained that Omani Customs required further training on import/export documentation procedures and inquired whether the U.S. could help Oman migrate its present hand-written customs system to an automated one. "Oman lost points in the most recent analysis by the World Economic Forum's Global Competitiveness Report because its system is not automated," he remarked.

17. (SBU) In addition to customs training, MOCI officials previously indicated that Oman may require USG assistance in the area of intellectual property rights due to a lack of resources and technical expertise to implement specific sections of the FTA. Al-Shuaibi pointed out that there will likely be further discussion on these technical weaknesses at the first U.S.-Oman Joint FTA Committee meeting, which he hopes will be held sometime in the second quarter of 2009. He reported that the government is currently deciding who will sit on the committee for Oman and promised to forward the chosen names to the Embassy when available.

#### BUSINESS COMMUNITY REACTION

18. (SBU) Since its entry into force, the FTA has received positive press and generally has been welcomed by Oman's business community. However, in addition to voicing complaints on delays in abolishing tariffs on some U.S. goods, local businesspeople are concerned that they may encounter other procedural problems, particularly in the area of intellectual property rights, as they conduct business under new FTA rules. The CEO of Reem Batteries and Power Appliances Company, part of the OMZEST Group owned by the Sultan's personal advisor Dr. Omar Zawawi, told econoff that some businesspeople still harbor reservations on whether the FTA is good for Oman because the country has little to export apart from oil and gas. They also fear that the Sultanate may become too reliant on the U.S. for goods and services. The CEO further noted that concerns that only large Omani companies would benefit from the FTA were mollified by the continued granting of a ten percent rate preference to SMEs by Oman's Tender Board when awarding government contracts. [Note: Comments from post contacts suggest that Oman's Tender Board may apply too widely permitted preferences for Omani SMEs in the government procurement process. End Note.]

#### NUSACC TRIES TO GET ON BOARD

19. (SBU) Econoff met with David Hamoud, President and CEO of the National U.S.-Arab Chamber of Commerce (NUSACC) on January 21. Hamoud was in Muscat on a brief visit to discuss how NUSACC could provide assistance to Oman's business community and government on

MUSCAT 00000084 003 OF 003

FTA implementation and enforcement. According to Hamoud, Oman specifically requested NUSACC's assistance with training on customs and SME development related to the FTA, while NUSACC offered help with training on standards and conformity assessment. Hamoud also expressed interest in sponsoring an Omani trade delegation to the U.S. to conduct a "road show" during the year. Econoff informed Hamoud that the USG is already providing FTA-related assistance to Oman, including on customs and SMEs, and asked him to keep her informed of any further NUSACC outreach to Oman.

#### COMMENT

110. (SBU) Although MOCI and other government offices are energized for next steps on FTA promotion, Oman has limited resources and technical knowledge to enforce the FTA quickly and to guide relevant agencies through the new procedures and regulations accompanying the FTA's implementation. With only two designated MOCI officials knowledgeable enough to lead promotional and enforcement efforts, in addition to having responsibility for responding to FTA-related inquiries, businesspeople may wait a long time to get answers on their FTA questions from the Omani government. Moreover, according to al-Riyami, negotiations with other countries on potential new trade agreements with Oman may siphon off expertise and attention needed to solidify and resolve problems in the enforcement of the U.S.-Oman FTA. Post accordingly recommends that the Department favorably consider Oman's requests for assistance on both FTA promotion and implementation. End Comment.  
GRAPPO

To view the entire SMART message, go to URL [http://repository.state.sgov.gov/\\_layouts/OSS\\_SearchResults.aspx?k=messageid:f386166d-4ce4-4b55-82](http://repository.state.sgov.gov/_layouts/OSS_SearchResults.aspx?k=messageid:f386166d-4ce4-4b55-82)